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UNCLAS ABU DHABI 03427

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UNCLAS SECTION 01 OF 02 ABU DHABI 003427

SIPDIS

SENSITIVE

DEPT FOR NEA, NEA/ARP, EB/TPP/ABT FOR EHEARTNEY
DEPT PASS TO USTR FOR JBUNTIN AND DBELL
COMMERCE FOR ITA/OTEXA FOR MD'ANDREA

E.O. 12958: DECL NA
TAGS: [ECON](#) [ETRD](#) [KTEX](#) [TC](#)
SUBJECT: BASELINE UAE TEXTILES AND APPAREL STATISTICS
PRIOR TO ELIMINATION OF QUOTAS

REFS: A. STATE 184238
[1](#)B. STATE 2205 AND PREVIOUS

[1](#)1. (U) Summary and comment: Baseline statistics are provided regarding the UAE textile and apparel industry in response to ref A. In advance of the elimination of the worldwide textiles and apparel quotas in January 2005, UAE officials are very concerned that an absence of quotas on China will essentially eliminate the UAE's ability to compete; however, if some requirements are placed on China, UAE officials believe the UAE textiles and apparel sectors will thrive and expand. Officials are anxious to learn the new requirements for importing into the United States, and whether there will be any quotas placed on low-cost textile producing countries (specifically China and Vietnam). End summary and comment.

Baseline Textiles and Apparel Statistics

[1](#)2. (U) Responses are keyed to ref A.

[1](#)3. (U) In 2002, the total industrial production in the UAE was \$10 billion, and in 2003, it was \$10.9 billion. Data was not available regarding the total textile and apparel production.

[1](#)4. (U) In 2002, textiles and apparel comprised 7.44% of the UAE's imports, 5.9% of its non-oil exports, and 4.95% of the country's re-exports. In 2003, textiles and apparel comprised 7.79% of the UAE's imports, 6.26% of its non-oil exports, and 5.07% of its re-exports, according to Central Bank statistics.

[1](#)5. (U) In 2002, there were 273,000 individuals employed in

the manufacturing sector, which comprised 13.06% of the total workforce. Of the manufacturing employees, 2.12% were employed in textiles (3,976 individuals), and 15.8% were employed in the apparel industry (28,401 individuals), according to statistics produced by the Department of Ministry and Finance.

¶6. (U) In 2003, there were 297,800 individuals employed in the manufacturing sector, which comprised 13.6% of the total workforce. Of the manufacturing employees, 2% were employed in textiles (4,187 individuals), and 14.53% were employed in the apparel industry (28,568 individuals).

Sectors Contribute to Economic Diversification

¶7. (U) Ministry of Economy officials tell us that the textile and apparel sectors are a key element to the UAE's efforts to diversify its oil-dependent economy. Currently, there are 180 garment factories in the country. The bulk of their production is exported to the U.S. and the EU. One ministry official noted that in addition to revenue generation, the number of workers in country due to the textile industry contributes to the overall health of the economy because they live, work, and spend money on the economy.

Factory Relocation Not a Concern in a Quota-Free World

¶8. (SBU) As reported in ref B, the number of textile manufactures in the UAE has tripled since the mid-1990's, due in large part to the establishment of free zones in Dubai and the northern emirates. Indian, Chinese and other traditional textile manufactures moved to the free zones to take advantage of the UAE's existing textile quota with the United States. We anticipate that some of these manufactures will return to their homelands once the quota system is eliminated because of the lower production costs in those countries. UAEG officials recognize that some companies may decide to relocate based solely on cheaper production costs, but they are confident that many companies would remain in even return to the UAE because the UAE is able to offer better infrastructure, services, and security.

Anxiety Regarding China

¶8. (SBU) Ministry of Economy officials are concerned about the future of the textile and apparel sector in the UAE after the elimination of quotas due to increased Chinese competition. One official indicated that the UAE's ability to compete in a post-quota environment is dependent on what regulations are imposed regarding fees and duties, and whether quotas remain for countries like China and Vietnam. He bluntly stated that if there were no barriers for China, "the UAE will have a tiny piece of the pie, and China will have the rest."

¶9. (SBU) Ministry officials are optimistic that if there is some regulation on China, UAE textile manufactures will be able to thrive and compete in the global market. One official stated that local manufactures have been obligated to produce at lower levels because of the quotas, but that UAE production capabilities are actually much greater. He emphasized that if China still had quotas but the UAE did not, the UAE could produce and export more products. He also candidly told econoff that if the UAE entered into an FTA with the United States and textiles entered the U.S. duty free, the UAE textile sector would not only survive, it would expand.

¶10. (U) POC for textile and apparel issues will be ECONOFF Amanda Curtis. Email: curtisae@state.gov. Phone: +971 02

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